



Indiana Department of Revenue

News Release

FOR IMMEDIATE RELEASE
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Motor Vehicle Sales Tax Law Changes May Affect You!

The Indiana General Assembly recently passed new laws affecting the collection of Indiana sales/use tax on motor vehicles, trailers, watercraft and aircraft.

As of July 1, 2004, a person who purchases such items in other states and pays sales tax to those states will be allowed a credit against Indiana's 6% use tax that is due upon registration and/or titling of their purchases in Indiana. This change will eliminate the item from being double-taxed, which happened prior to this law change. This change does not apply to vehicles used in public transportation such as semi-tractors and trailers.

Indiana is now among 46 "reciprocal" sales/use tax states that allow credit for each other's taxes paid. All states (except for Arkansas, Mississippi, Oklahoma and West Virginia) now allow a person who buys a vehicle, trailer, watercraft or aircraft in Indiana to claim credit for the 6% Indiana sales tax paid upon purchase when they register/title the vehicle, trailer, watercraft or aircraft in their states.

Another new law in Indiana repeals the sales tax exemption for vehicles, trailers, watercraft and aircraft that are purchased in Indiana and immediately delivered to and registered/titled outside the state. This means Indiana dealers must collect Indiana's 6% sales tax on all retail transactions, effective July 1, 2004 -- no matter where the buyers live or where the items will be titled or registered.

The Indiana Department of Revenue has notified Indiana's four neighboring states of Indiana's new statute that will allow credit for sales/use tax paid to other states, up to the amount of the Indiana tax due.

The current sales/use tax rates for Indiana and its four neighboring states are as follows:

- Indiana 6%
- Illinois 6.25% + local tax
- Kentucky 6%
- Michigan 6%
- Ohio 6% + local tax

A benefit to customers in any of the 46 "reciprocal" states will be the ability to include the state sales tax into their financing arrangements with dealers, instead of incurring often large, out-of-pocket expenses when they register/title their purchases.

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